

Exhibit 2

technicolor



ANNUAL REPORT **2012**

including the Annual Financial Report

2.9.5 INCOME TAX

In 2012, the Group total income tax expense on continuing operations, including both current and deferred taxes, amounted to €49 million, compared to €83 million in 2011. The current tax charge is notably the result of taxes due in France, the UK, Mexico, Poland, Australia and India, as well as withholding taxes on income earned by our licensing activities, which were partially credited against taxes payable in France, but not in the USA. The €28 million current income tax charge in France is due to the limitation of the usage of tax losses carried forward, withholding taxes and the local tax "CVAE".

The 2011 current tax charge was notably the result of current taxes due in France (€12 million charge reflecting mainly withholding taxes on licensing activities and "CVAE"), Thailand, Australia, Mexico and Italy.

In 2011, the use of tax loss carry-forward was limited to only 60% of yearly taxable profit instead of 100% previously. As a consequence, and with updated forecasts within the French tax group, French deferred tax assets were partially impaired by €63 million, compared to the deferred tax assets recognized as at December 31, 2010 (of which €55 million in the consolidated statement of operations and €8 million in Equity).

In 2012, French tax rules were further amended: i) the use of tax loss carry-forward is now limited to only 50% of yearly taxable profit instead, ii) the deductibility of net interest expenses is limited to 85% (in 2012 and 2013) and to 75% (from 2014) and iii) a surtax of 5% was extended up to 2014. As a consequence, and taking into account updated forecasts and the 2012 consumption, French deferred tax assets remained stable compared to the deferred tax assets recognized as at December 31, 2011. The remaining deferred tax assets correspond to a usage by 2026, which represents the estimated Licensing activity's predictable taxable income period based on existing licensing programs.

As per the Group's current interpretation of the U.S. Tax rules, namely Section Code 382, the May 26, 2010 share capital increase of Technicolor SA and NRS issuance under the *Sauvegarde* Plan leads to an "ownership change" of the U.S. Group of subsidiaries. Such "ownership change" severely restricts the use of tax losses carried forward of the U.S. subsidiaries. The Group is lobbying against such a severe application of the Section 382.

For more information, please refer to note 10 of the Group's consolidated financial statements.

2.9.6 PROFIT (LOSS) FROM CONTINUING OPERATIONS

Profit from continuing operations was €13 million in 2012, compared with a loss of €303 million in 2011.

2.9.7 PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

In 2012, the total loss from discontinued operations was €35 million (compared with a loss of €21 million in 2011).

In 2012, the loss from discontinued operations mainly corresponds to the €38.6 million fine from the European Union related to Thomson's former Cathode Ray Tubes (CRT) business. On December 5, 2012, the European Commission has fined a cartel in the CRT industry including Technicolor (Thomson at the time of the facts), Samsung, Philips, LG, Panasonic and Toshiba. The European Commission's main reproach is that these electronic manufacturers had an understanding to fix prices between 1999 and 2005. Technicolor was notified by the European Union of its decision to impose a fine of €38.6 million to Technicolor. This amount is included in the "Loss from discontinued operations" caption of our consolidated statements of operations as it relates to a business discontinued by the Group in 2005.

In 2011 the loss from discontinued operations was mainly related to the Grass Valley businesses, including a €5 million impairment loss on discontinued operations to adjust the held for sale businesses at their fair value less costs to sell. For more information, please refer to note 11 to the Group's consolidated financial statements.

2.9.8 NET INCOME (LOSS) OF THE GROUP

Technicolor consolidated net loss was €22 million in 2012 (compared with a loss of €324 million in 2011). The net loss attributable to non controlling interests in 2012 is €2 million in 2012 (compared to a loss of €1 million in 2011). Accordingly, the net loss attributable to shareholders of Technicolor SA totaled €20 million (compared with a loss of €323 million in 2011). Net loss per non-diluted share was €0.07 in 2012, compared with a net loss per non-diluted share of €1.5 in 2011.

Poland Tax Proceedings

To complete two requests for arbitrage on 2003 transfer prices between France and the UK on one side and Poland on the other side, the Polish entity, Technicolor Polska, submitted in June 2009 a €8 million tax refund request to the Polish Tax Authorities. At the same time, the Polish Tax Authorities launched, in 2009, an audit on the 2003 Income Tax and 2004 withholding tax returns.

After lengthy proceedings, the Polish Tax Authorities issued provisional assessments in 2010 with respect to 2003 deductibility of R&D costs & 2004 withholding taxes resulting in additional taxes amounting to €10 million and interest amounting to €7 million. In between, Polish Tax Authorities had established a €17 million mortgage on the company's assets which also had as an indirect consequence the prevention of the statute of limitations from expiring. In May 2010, the Polish Tax Authorities launched another audit on the 2004 corporate income tax and 2005 withholding tax returns. They issued in January 2011 provisional assessments equivalent to the previous year assessments, i.e. deductibility of 2004 R&D costs and 2005 withholding taxes, amounting €5 million in principal and €3 million in interest. In August 2011, the 1st level Administrative Court of Warsaw rejected 98% of the 2010 assessments (on 2003 deductibility of R&D costs and 2004 withholding taxes) notified by the Polish Tax Authorities. In December 2011, this verdict became final as the Polish Tax Authorities did not appeal. The Polish Tax Administration is currently reviewing the final aspects of the proceedings. They interviewed around 20 former employees. Technicolor is waiting for its conclusions.

Technicolor Polska continues to contest the other assessments, as it does not consider them as valid.

France VAT audit

French Tax Authorities audited Technicolor SA for the fiscal year 2009 and issued, at the end of 2012, an assessment amounting €5.6 million. An amount of €1.6 million concerns VAT which was wrongly charged by a former subsidiary which was collecting a subsidy from Technicolor, as per a 2009 Share Sale Agreement. Technicolor will ask the former subsidiary to recover that VAT. An amount of €3.7 million concerns the VAT recoverability of the holding company, which Technicolor is contesting.

Taoyuan County Form RCA Employees' Solicitude Association (the "Association")

In April 2004, the Plaintiff, the Taoyuan County Former RCA Employees' Solicitude Association ("The Association"), which is a non-profit entity composed of former RCA employees (or heirs of former workers) who claim to have worked at the Company's former manufacturing facility in Taoyuan filed a purported class action under Article 44-1 of the Taiwan Code of Civil Procedure in the Taipei District Court, Taiwan, Republic of China against the Company and General Electric International, Inc. ("GEI"). The Association is alleging they were exposed to various contaminants while living and working at the facility, which allegedly caused them to suffer various diseases, including cancer, or caused them emotional distress from fear that living and working at the facility increased their risk of contracting diseases. The Association claims damages of NTD 2.7 billion (€70 million at the December 31, 2012 closing rate) to compensate the members of the Association for the alleged injury suffered by the former plant employees who worked and lived at the facility from its inception until its closure in 1992.

In March 2005, the Association's complaint was dismissed by the Taipei District Court based on the Association's failure to comply with certain procedural aspects of Taiwan's class action statutes. Shortly thereafter, the Association appealed the dismissal, which was reversed by the Taiwan Supreme Court. In 2006, the case was remanded to the Taipei District Court for further proceedings as to procedural compliance by the Association. The parties have filed a number of briefs addressing procedural and substantive issues and the court has held several hearings. The Association has also attempted to add Thomson Consumer Electronics (Bermuda), Ltd., Technicolor USA, Inc. (formerly Thomson Inc.), Technicolor SA (formerly Thomson SA), and General Electric Company ("GE") as defendants. The Company is vigorously defending the case, and it is unclear how the addition of defendants will impact the progress of the case. It is the Company's position that GE has indemnity obligations to Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric. GE denies the existence of any such obligations to Technicolor.

Cathode Ray Tubes ("CRT") Investigations

On November 28, 2007, Technicolor USA, Inc. (US) (formerly Thomson, Inc.) received a subpoena issued on behalf of the Antitrust Division of the U.S. Department of Justice investigating alleged anticompetitive conduct in the Cathode Ray Tubes ("CRT") industry, including Color Picture Tubes ("CPT") and Color Display Tubes ("CDT") businesses.

The Group sold its CPT business in 2005 and never had activity in the CDT business.

In addition, class action law suits asserting private antitrust claims were filed in early 2008 in the United States (one group brought by indirect purchasers and one group brought by direct purchasers) that originally named Technicolor and others as defendants, although Technicolor was dropped as a named defendant when amended complaints were filed in the spring of 2009. In November 2011, Technicolor USA and Technicolor SA executed tolling agreements with the indirect purchaser plaintiffs and the direct purchaser plaintiffs tolling the statute of limitations to bring actions against Technicolor. In August 2012, the indirect purchaser plaintiffs moved the Court to join Technicolor SA and Technicolor USA to the pending class action. In October 2012, Technicolor SA, Technicolor USA, and the indirect purchaser plaintiffs executed an amendment to the tolling agreement which extended the original tolling agreement, prohibited indirect purchaser plaintiffs from bringing Technicolor into the present class action, and required Technicolor to provide certain sales documents.

On January 9, 2008, Technicolor received a request under art 18 (2) of Council Regulation n°1/2003 from the European Commission (the "EC") also relating to anti-competitive conduct in the CRT industry from 1999 to 2005. On November 25, 2009, Technicolor received a Statement of Objections ("SO") from the European Commission. On March 3, 2010, Technicolor filed its written response to the "SO". On December 5, 2012, Technicolor was notified by the European Commission of its decision to impose a fine of €38.6 million to Technicolor. This amount is classified in the "Net loss from discontinued operations" caption of the consolidated statement of operations as it relates to a business discontinued by the Group in 2005. Following the European Commission decision, purchasers may bring individual claims against the Company seeking compensation for alleged loss suffered as a result of the anti-competitive conduct.

In parallel, on April 29, 2010 Technicolor's Brazilian affiliate received notice from the Brazilian Ministry of Justice indicating Brazilian authorities are initiating an investigation of possible cartel activity within the CRT industry in Brazil.

On September 10, 2012, Technicolor SA received notice from the Mexican Federal Competition Commission indicating Mexican authorities had completed an investigation of possible cartel activity within the CRT industry in Mexico and on December 3, 2012, Technicolor SA has provided a response and evidence responding to the allegations.

Environmental matters

A certain number of Technicolor's current and previously-owned manufacturing sites have an extended history of industrial use. Soil and groundwater contamination, which occurred at some sites, may occur or be discovered at other sites in the future. Industrial emissions at sites that Technicolor has built or acquired expose the Group to remediation costs. The Group has identified certain sites at which chemical contamination has required or will require remedial measures.

Soil and groundwater contamination was detected at a former manufacturing facility in Taoyuan, Taiwan that was acquired in the 1987 transaction with GE, and TCETVT, as an affiliate of Technicolor SA, owned the facility from approximately 1988-1992 when it was sold to an entity outside the Technicolor Group. In 2002, the Taoyuan County Environmental Protection Bureau ("EPB") ordered remediation of the groundwater underneath the former facility. The groundwater remediation process is underway. It is the Company's position that GE has a contractual obligation to indemnify Technicolor SA and its subsidiaries with respect to certain liabilities resulting from activities that occurred prior to the 1987 agreement with General Electric.

In addition to soil and groundwater contamination, the Group sells or has sold in the past products which are subject to recycling requirements and is exposed to changes in environmental legislation affecting these requirements in various jurisdictions.

The Group believes that the amounts reserved and the contractual guaranties provided by its contracts for the acquisition of certain production assets will enable it to reasonably cover its safety, health and environmental obligations. However, potential problems cannot be predicted with certainty and it cannot be assumed that these reserve amounts will be precisely adequate.

In addition, future developments such as changes in governments or in safety, health and environmental laws or the discovery of new risks could result in increased costs and liabilities that could have a material effect on the Group's financial condition or results of operations. Based on current information and the provisions established for the uncertainties described above, the Group does not believe it is exposed to any material adverse effects on its business, financial condition or result of operations arising from its environmental, health and safety obligations and related risks.